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Asia's economic and political security in a shifting global order

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Chapter 11
Asia's economic and political security in a shifting global order

Peter Drysdale, Amy King and Adam Triggs

The global order that has thus far shaped relationships between the United States and Asia, and underpinned Asia's prosperity and security, is under pressure in a world in which the structure of global power has changed dramatically. The change has significantly been driven by the success of that order, with the recovery of Europe after World War II and the economic transformation of Asia, and China, as major centres of global economic power. The rise of China, with its now considerable economic and political heft, is no longer seen within the US as a cause for celebration but of deepening disquiet. These pressures have been intensified sharply by the COVID-19 pandemic and its impact on great power tensions and the global economy.

This chapter traces the genesis and evolution of the present global order, how it managed the interplay between economics and security, and the importance of that order to the rise of Asia. It goes on to identify the weaknesses and fractures in the global order that undermine both economic prosperity and national security, highlighting the areas crying out for reform to deal with the claims of both the emerging and established powers. It shows how economic and security considerations, which were tightly enmeshed in the creation of the global order after WWII, are being recklessly traded-off in a global order that has failed to keep pace with the global reality.

Asia is at the centre of these problems but no single Asian nation, not even one of China's size and geopolitical weight, is capable of unilaterally spearheading reform of the global order. The post-WWII global order was the product of *collective* ideas and effort, and a new collective authority is now needed to correct the current drift towards fragmentation of the multilateral global order. With the US stepping back, and actively undermining multilateralism while President Trump was in office, we ask how multilateral cooperation between Asian nations might be a starting point for achieving this collective authority.

Because of the weight and potential they have in the world economy, Asian countries are now central both to recovery from the COVID-19 crisis and key to renovation of the global order that has so far served them well. We also ask how a new US administration under President Joe Biden might shape the outcome of any regional attempts at global order reform.
Understanding the origins of the present global order reveals how order has been constructed at past moments of crisis, helps to pinpoint fragilities in the present global order and allows us to identify what the priorities might be in trying to address them.

Genesis of the postwar global order

The origins of the contemporary global economic order lie in WWII, when the Allied powers came together in 1944 at the Mount Washington Hotel, Bretton Woods, New Hampshire. At Bretton Woods, their goal was to put in place a new system of internationally shared ideas, norms and practices – that is, an order – that could stem the trade protectionism, currency wars and economic deprivation that had characterised the world economy throughout the 1920s and 1930s. In practical terms, this meant the introduction of a new system of fixed exchange rates, tariff reductions, short-term financial assistance and aid to developing countries; the creation of two new multilateral institutions – the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, later renamed the World Bank); and steps put in place for the development in 1947 of the General Agreement on Tariffs and Trade (out of which the World Trade Organisation [WTO] was later formed).

It is no coincidence that this new global economic order was established in the middle of a global war. Indeed, economic and security challenges were tightly enmeshed in the creation of the order at Bretton Woods. The Great Depression and unchecked economic competition of the 1920s and 1930s had helped to fuel national rivalries that propelled states into military conflict in WWII. Against this backdrop, economists and officials across the world laboured to first understand, and then develop ways to manage, the economic crises of the interwar period.[1] Central to this process was the emergence of three new ideas that would underpin the order established at Bretton Woods. The first was the idea of 'managed multilateralism', or the notion that a liberal, open world economy would not simply emerge out of the laissez-faire behaviour of markets, but instead had to be managed through multilateral coordination of global monetary and trading arrangements (Ikenberry 1992, 292; Clavin 2013, 300). The second idea, often called 'embedded liberalism', was the notion that the state should play a more intrusive role in the domestic economy in order to protect domestic populations from the ravages of an open, but often unstable and unpredictable, international economic order (Ruggie 1982, 393; Gardiner 1969, 4). The third was the idea of development, which broadly encompassed new understandings of global wealth and income inequality, the need for international reconstruction aid to war-torn and poverty-stricken countries, and the ways in which the global trading system was structured so as to benefit industrialised rather than agrarian countries (Clavin 2013, 8–9; Helleiner 2014).

While these ideas had evolved over the course of the 1920s and 1930s, it was the unprecedented military crisis of WWII that provided impetus for global cooperation to institutionalise these ideas. In the US and Britain, in particular, leading officials and economists articulated clearly the relationship between the economic drivers of interstate conflict and their views that a liberal international economic system would provide the best foundations for a lasting postwar peace. Indeed, the role of the US and Britain was crucial in catalysing the creation of this new global order: a combination of US material power and the ideas and wartime economic plans of US and British economists and officials provided the

[1] Much of this work took place via the auspices of the League of Nations and its Economic and Finance Organisation (Clavin 2013).

necessary convening power around which the Allied nations deliberated over the course of 1943–44.[2]

Yet this traditional view of the creation of the Bretton Woods order must be modified in two ways, both of which offer important lessons for our thinking about the creation, evolution and rebuilding of orders. First, creating the postwar global economic order was a highly contested process, exposing the conflicting ideas, interests and values of states who were traditionally allies and who shared similar political systems. The US and Britain, for example, clashed frequently over issues such as the desirability of a non-discriminatory trade system, the removal of protectionist measures such as tariffs and quotas, the degree of intrusiveness allowed by newly created multilateral institutions over a state's domestic economic affairs and the relative power of a hegemonic US within the newly created order. The order ultimately agreed upon at Bretton Woods represented a combination of compromise and, on certain key issues – such as the intrusiveness of new multilateral institutions – a failure to reach true consensus at all (Gardiner 1969, 12–39; Van Dormael 1978, 111–12). Second, creation of the Bretton Woods order involved not just ideas and contributions of powerful states such as the US and Great Britain, but also the ideas of other countries, including Australia and key developing countries in Latin America and East Asia. Australia tried to influence the outcomes on commodity trade and the issues affecting a small open economy.

Developing countries helped to enhance the 'development mandate' of the IBRD by ensuring that it would provide long-term international finance for non-industrialised countries and succeeded in obtaining a resolution for the creation of a future international agreement on commodity prices (Helleiner 2014). The contested nature of global order creation and change, and the role of smaller and weaker states in shaping orders, remain crucial in understanding the unravelling, preservation and rebuilding of the contemporary global order.[3]

Evolution of the global order

The order established at Bretton Woods was intended to be a genuinely global order, led by the four leading Allied powers – the United States, Soviet Union, Great Britain and Republic of China – whom US President Franklin D. Roosevelt had described as the 'Four Policemen' that would govern the postwar world. The role of the 'four policemen' was embedded into the architecture of the emergent United Nations framework and its Security Council.

However, growing tensions between the US and the Soviet Union in the late stages of WWII, and the onset of the Cold War first in Europe and then in East Asia, fundamentally disrupted the global character of the Bretton Woods economic order. With the onset of the Cold War, security tensions and the bipolar alliance framework that grew out of it skewed the practice of international economic relations well into the 1970s and 1980s.

Through much of the Cold War, the international economy was artificially divided into two separate orders: a US-led capitalist order centred around both the Bretton Woods institutions

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[2] For leading accounts of the US and British role, see Ikenberry, (1992, 289–321); Van Dormael (1978) and Gardiner (1969)

[3] For similar arguments in relation to contemporary East Asian order, see Goh (2013).

and the Coordinating Committee for Multilateral Export Controls in Western Europe, and a Soviet-led communist order organised around the Council for Mutual Economic Assistance in Eastern Europe and the wider Soviet bloc (Zhang 2001). Parallel security orders were also established alongside these economic blocs, with the Soviet Union and US forging alliance relationships and military pacts with subordinate states in their respective orders. In the Asia-Pacific region, the US rehabilitated its wartime aggressor Japan as a Cold War ally and, in 1951–52, created security treaties with Japan, the Philippines, Australia and New Zealand – known colloquially as the 'San Francisco alliance system'. At the same time, the Soviet Union established alliances with, and provided extensive diplomatic and military support to, newly independent or divided states across Asia, including the People's Republic of China, Democratic People's Republic of Korea, the Democratic Republic of Vietnam and Indonesia. These Cold War economic and security orders worked in tandem, with trade, foreign aid and dual-use technology typically conceived as key elements in the superpowers' wider Cold War containment strategies. The US and the Soviet Union used the rival economic blocs to coordinate their trade, foreign aid and loans with member states and, particularly in the case of the US, required that allies maintain strict economic sanctions and controls over the export of technology and other 'war-producing materials' to China and the Soviet bloc. Thus, the Cold War economic blocs simultaneously preserved the 'special privileges' of each superpower, while providing economic and security benefits to bloc members (Mastanduno 2009,122).

Of course, the Cold War order's bifurcated character was not absolute. In Asia, for example, trade, people and economic ideas eventually began to flow across Cold War lines and helped to create a distinct sphere of *regional* economic activity that burgeoned despite the divided global order. These economic flows often stemmed from older trade and investment links developed between an imperial Japan and its colonial Asian subjects, and laid the foundations for supply chains that would later underpin the emergence of an East Asian economic order following the dissolution of Cold War tensions (King 2016). Significantly, with their more 'comprehensive' notions of security, East Asian states did not always adhere to the same economic-security logic that was articulated by the superpowers leading their respective blocs. Japan was deeply frustrated by US-led controls on trade with China, seeing the loss of access to Chinese raw materials and export markets as a key source of insecurity for Japan.

Similarly, China viewed trade with Japan as a way to strengthen its industrial and technological capacity, and, therefore, as critical to its overall national security, despite Japan's role as a wartime aggressor and Cold War opponent (King 2016). Outside East Asia, such trade with China only accelerated following the Sino-Soviet split of the 1960s; Australia and other US allies began trading with China despite the ongoing US embargo. Moreover, the bifurcated Cold War economic orders were not static, but instead evolved over time as a result of the changing behaviour and ideas of the states participating in and shaping them. It was the Western bloc, with its economic foundations based on Bretton Woods multilateralism, that sped economic recovery in Europe and opened opportunity for the transformation of the East Asian economy. The Bretton Woods order then underwent significant change in the 1970s, as the US unilaterally floated its currency in response to the drain on US gold reserves stemming from the postwar growth of Germany and Japan, rising domestic inflation and a spike in public spending associated with the costly military campaign in Vietnam (Mastanduno 2009, 130–36). Similarly, Japan's rapid postwar economic rise, and the perceived threat Japan posed to the US economy and the US's place atop the liberal international economic order, catalysed a series of partial adjustments to that order. These included the creation of a new multilateral lending institution, the Asian Development Bank, in 1966, in response to Japan's dissatisfaction with its lack of power within the IMF and IBRD; periodic renegotiations over the terms of US–Japan trade and monetary relations in the 1970s and 1980s; and a major redefinition of the US–Japan security treaty in the 1990s as a way to prevent the economic tensions in the US–Japan relationship from damaging the wider alliance relationship (Mastanduno 2009, 136–38; Foot 2017, 830–34).

This brief sketch of the creation and evolution of the Bretton Woods order and its Cold War evolution highlights three key lessons of importance for thinking about the contemporary global order and its preservation, evolution and transformation. First, the creation of a global order is naturally contested, and the shared ideas that underpin it are arrived at through contestation, negotiation and consensus building. Second, powerful and weaker states alike are involved in the shaping of a global order and have an effect on an order's evolution and endurance. Third, economic and security logics have long intersected in different ways to shape the patterns of the global economic order, coalescing to produce the Bretton Woods order during WWII, driving the bifurcation of rival economic blocs during the Cold War and catalysing a nascent regional economic order in East Asia that helped to undermine the earlier bifurcated global Cold War order.

Stresses in the contemporary global order

With the end of the Cold War and the collapse of the Soviet-led order, the Bretton Woods system saw the gradual incorporation of major powers that had previously sat outside the Western order, including China, India and Russia. In turn, and despite having failed to keep up with a changing world, the institutions within the Bretton Woods system were gradually reformed over time. The growing gap between the global system and the global reality of changing economic power and issue areas has been a key source of stress and tension. An early manifestation of stress in the system was the patchwork of bilateral, regional and global arrangements that substituted for comprehensive multilateral reform, undermining its efficiency and effectiveness.

In global finance, the rise of China and other emerging economies has not been reflected in the governance of the IMF. China represents 16 per cent of global GDP at market exchange rates but only 6 per cent of the IMF's voting power. Europe, on the other hand, represents 8 per cent of global GDP but more than 13 per cent of the IMF's voting power. IMF quota reforms, most recently in 2015, have helped reduce these gaps but progress has been slow and piecemeal (Goodman et al. 2019).

This slow and piecemeal process, combined with inadequate IMF resourcing and a perceived mishandling of financial crises by the IMF, has led to the creation of competing institutions and mechanisms. At the regional level, these include the Chiang Mai Initiative Multilateralization in Asia, the European Stability Mechanism in the European Union, and similar initiatives in Latin America and Africa. At the bilateral level, these inadequacies have seen the creation of a plethora of bilateral currency swap lines, increasing from around just a handful in 1980 to more than 70 today. This fragmentation has seen the share of the Bretton Woods institutions in the global financial safety net fall dramatically, from 80 per cent in 1980 to less than 35 per cent in 2020 (Triggs 2018).

The same thing has happened in trade. The global trading system's failure to keep up with a changing world has seen increased tensions and led to a more fragmented order. In the previous few decades, the digital economy has grown rapidly. But the WTO's rules are largely silent on the digital economy and data flows that are important to the efficiencies captured in the digital economy. In addition, state-owned enterprises, subsidies, technology transfer and a host of other issues have ignited tensions in recent years. These inadequacies, on top of the stalemate of the Doha Round of trade negotiations, have led to a plethora of regional and plurilateral trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and Regional Comprehensive Partnership (RCEP); a range of thematic initiatives around the WTO, including on digital trade and services; and hundreds of bilateral trade agreements seeking to fill the gap.

These regional, plurilateral and bilateral trade agreements are not substitutes for a global WTO-led agreement. They are premised on the WTO at their core. The benefits from trade liberalisation are greatest when it happens globally and smallest (and more temporary) when it happens bilaterally. While some trade liberalisation is usually better than none, the worry is that a patchwork of inconsistent trade agreements is raising the cost of doing business across borders and may form a roadblock more than a stepping stone to a potential global agreement.

This pattern, in which an out-of-date global order produces a patchwork of regional, bilateral or unilateral alternatives, is not limited to finance and trade. We see the same thing in global investment flows (where there are a myriad of different national foreign investment regulatory frameworks) and in international economic development (with the World Bank at the global level and a host of regional development bodies and bilateral arrangements). The consequence can be increased inefficiencies and a higher cost of doing businesses resulting in a higher cost of capital, lower growth and fewer jobs being created. More significant has been the corrosion of commitment to global goals and the global order.

President Trump, COVID-19 and global fragmentation

In the context of an already weak and fragmented global system, 2016 saw the election of Donald Trump and 2020 saw the spread of COVID-19, leading to the biggest global economic contraction since the Great Depression. The election of Donald Trump in the US meant that one of President Franklin D. Roosevelt's 'Four Policemen' of the global system was now actively undermining that system.

Under President Trump, the US withdrew from the Paris Climate Accord and the World Health Organization (WHO). It refused to reappoint judges to the WTO's dispute settlement body, causing the body to collapse and resulting in the creation of an interim substitute mechanism without US participation, and it threatened to withdraw from the WTO entirely.

The US refused to sign multilateral communiques in the G7 and APEC, walked out of multilateral meetings and turned on traditional US allies and alliances. President Trump launched a global trade war, imposing tariffs on China, Europe and others. These developments quickly spread beyond trade and into other areas of international engagement: the blocking of international investment; restrictions on technology firms and technology trade; the arrest of, and placing of restrictions on, corporate officials; travel bans; threats of currency wars; and threats to deny entry to international students, tourists and businesspeople. President Trump withdrew US leadership and support for the global order, substantially undermining that order in the process.

Then, in 2020, COVID-19 spread around the world, bringing with it the worst economic outlook since the Great Depression. In its February 2021 World Economic Outlook update, the IMF predicted a baseline fall of 3.5 per cent in global incomes in 2020. Growth, it said, could rebound to 5.5 per cent in 2021 but it also warned of more dire outcomes. China's GDP dropped 6.8 per cent in the first quarter of 2020 on the previous year, Japan's dropped 3.4 per cent and the US's fell 4.8 per cent. Europe's GDP is forecast to fall 7.8 per cent this year (IMF 2020). China was the only major economy to achieve positive growth through 2020.

The pandemic has seen countries become much more closed to the world. Some of this is unavoidable. Restrictions on the cross-border flows of businesspeople, tourists, students, diplomats and immigrants are necessary to contain the spread of the virus. These restrictions will have significant economic costs, but these costs can be managed by governments through fiscal and monetary policies, provided they are temporary. The virus and the closure of borders has had a similar impact on international trade and finance. Businesses have been unable to access their international supply chains, resulting in reduced production, higher prices and shortages of some goods and services, while an inability to access migrant workers has impeded production in some industries. The financial impacts of COVID-19 have seen restrictions imposed by some economies on foreign investment, capital flows and exchange rate movements in an attempt to manage financial volatility and address concerns that undervalued assets may be purchased on the cheap.

Seeing relatively closed economies in the face of a pandemic is not surprising, nor is it necessarily bad policy. But a major risk to the global system is that COVID-19, combined with US–China geopolitical and economic tensions, sees the implementation of policy changes that favour more closed economies on a permanent, long-term basis. As discussed elsewhere in this book (Armstrong and Urata, Chapter xx), there is a growing push in many countries to on-shore supply chains and reduce dependency on international markets. In some instances, this is limited to products like medical equipment while, in other instances, it has a much broader focus on manufacturing capability more generally. Countries have increased the stringency of their foreign investment rules while the closure of national and subnational borders have grown in popularity in some countries.

These developments will have two major impacts on the global order. First, they mean that countries will be less engaged in the order that remains vital for long-run prosperity and, as discussed below, national security. Second, they mean that countries will be less willing to undertake the necessary reforms to the global order to address the structural problems fuelling tensions and undermining the efficiency and effectiveness of the global system. Thus far, and compared to the cooperation displayed in the aftermath of the 2007–09 global financial crisis, cooperation among the world's major countries has been absent. Whether this will change under President Biden remains to be seen.

Implications for Asia

A weakening global economic order has implications for national security, particularly in Asia. Economic and security logics coalesced to produce the Bretton Woods order during WWII, when it was recognised that global economic integration and national security were intimately linked. The prosperity that comes from international trade, investment and commerce not only provides governments with the funding for social and military spending that bolsters national security, but also provides a peace dividend by making conflict more expensive and diplomacy more effective. The economic ties between businesses and households across countries forced governments to expand their cooperation with one another while these economic links increased people-to-people connections, improving understanding and awareness of different cultures and societies. But it took a global vision and global leadership to produce the economic order that enabled this prosperity and security after WWII. A weakening of the global system undermines each of these elements and the increased security they provide. The question now is where that vision and leadership will come from to reverse these trends.

Traditionally the world has looked to the US to lead global governance reform and global economic recovery on account of the size of its economy, its freedom of policy action given the international role of the US dollar and its long-established tradition of leadership in global economic diplomacy. Despite the outcome of the 2020 presidential election, it will be difficult for the US's approach to foreign policy to change quickly. The new US president, Joe Biden, has committed to reinstating a more multilateral approach that includes re-entering the Paris Accord, re-joining the WHO and reform of the WTO. But Biden will struggle to deal with the deep, structural challenges that have fuelled the strong domestic constituency within the US that opposes its contributions to global order building and, in some cases, opposes globalisation itself. President Trump's 2016 political success was the product of growing inequality and fast-moving economic and social changes, including automation and rapid technological change. Trump blamed immigration and trade for America's woes. In reality, these problems are principally a consequence of flawed domestic policies. Future US presidents will struggle to fix these domestic problems quickly. For now, there is a deepening bipartisan consensus in the US on toughness towards China and growing suspicion of trade.

Leadership on global governance reform may benefit from President Biden's election and his commitment to US leadership; however, it will need support from elsewhere to succeed, and Asia has the greatest incentive to reverse the accelerating momentum to protectionism and the breakdown of global cooperation by rebuilding trust, strengthening governance and updating global rules. Because of their dense populations and limited resource endowments, the economies of East Asia are more dependent on the international economy and global supply chains than economies elsewhere in the world. The World Bank estimated that the average trade to GDP ratio for all East Asia and the Pacific was 57 per cent in 2017, double that of the US. East Asia's economic and political security crucially depends on open trade and commerce. Closed economies will face slower recoveries and stagnation of income growth in the longer term. International economic cooperation will be vital to managing the crisis and to supporting the recovery through trade, a faster reopening of business supply chains and lower investment costs. Economic integration is central to Asia's economic prosperity and national security – concepts that have always been tightly linked in the various Asian conceptions of 'comprehensive security'. A shared strategic objective will therefore be to preserve an open global economy and the global, multilateral cooperative institutions and arrangements that underpin it.

The global nature of the COVID-19 health and economic crisis calls for faster and better coordination among governments (rather than each economy trying to go it alone) and demonstrates the importance and the value of multilateral cooperation. Promoting international solidarity based on trust and sharing as a basis for collective action to deal with all dimensions of the crisis is central to success.

Asia's challenge in defending and renovating the global order

The rise of China as a world economic power has increased its confidence and influence in the region. Two areas in which China's growing power directly impacts its neighbours are on the territorial and navigation issues in the South China Sea and in responding to the large-scale financial assistance that China has offered through its Belt and Road Initiative. China's growing power is matched with a geopolitical ambition that now encompasses a broader conception of its maritime security interests, including over large areas of the South China Sea that border on Association of South East Asian Nations (ASEAN) member states.

East Asia also confronts the problems that result from the radical changes in the foreign and international economic policies of the US since Trump assumed the US presidency. President Trump's 'America First' policy and his effective launching of an all-out trade and technology war with China rocked the foundations of the international economic system on which East Asian economies rely. President Trump's disrespect of alliance relationships in the region has increased uncertainty in Asia about US reliability (Anwar 2021).

These developments present the heavily economically integrated and internationally exposed states of East Asia with stark choices. They are choices that will put significant internal pressure on the region because of the variegated structure of its political and security ties with the US. They are pressures that have the potential to drive large wedges, for example, among ASEAN members but also between ASEAN and its dialogue partners in the ASEAN+6 group and the ASEAN+8 (East Asia Summit) processes, and inflict unrecoverable damage upon the East Asia integration enterprise (see Chapter 10).

To this point, in addition to its multilateral system commitments, ASEAN has played a central role as a political fulcrum around which big power jostling in the region has been stabilised, and ASEAN's cooperation arrangements have served as an effective mechanism for engaging and managing big power interests in the region. But can ASEAN and its regional frameworks continue to be resilient in dealings with the two big global powers as they increasingly cast themselves as strategic competitors?

There is growing pressure on ASEAN and its individual members to choose sides in the ‘new Cold War’ around the US geopolitical tussle with China. Acceding to this framing of diplomacy presents the prospect of an ASEAN divided and institutionally weakened, its centrality to regional diplomacy in tatters. So ASEAN’s response to Washington’s Indo-Pacific idea has been to take ownership of it and develop its own ASEAN Outlook on the Indo-Pacific (Acharya 2019). ASEAN, and even its members who confront Chinese maritime power directly, have no inclination for the region to become the theatre of a hostile, new great power conflict (Drysdale 2020). If it is to avoid this outcome, ASEAN will need to be an active player – not just a pawn in today’s contest over the global order between the world’s two biggest powers.

The fracture of trust in multilateral cooperation and Asia’s role in rebuilding it, and in defending and renovating the global order, is a task much easier identified than done. A new collective authority will be needed to correct the current drift towards fragmentation of the multilateral global order. With the US stepping back under Trump, and actively undermining multilateralism, no one country is capable of delivering the leadership now required to defend and renovate the system. A compact for multilateral cooperation between Asian nations could be a starting point, particularly on the aftermath of the COVID-19 crisis. Asian economies can contribute through a compact to rebuild trust, strengthen governance and update global rules.

Asia, like the rest of the world, has to deal simultaneously with twin challenges: the big international health challenges and the economic policy challenges of exit from the crisis. Failure to navigate judiciously between the two will cause social disruption, more deaths and economic hardship. The task of defining the way forward on both fronts at the same time is urgent (Asian Bureau of Economic Research [ABER] 2020). The foundations for gearing up regional policy action in Asia were laid at an ASEAN+3 summit in June 2020 that included leaders from South-East Asia, China, Japan and South Korea, and committed to health and economic policy coordination. Australia, New Zealand and India (given its record in managing the virus and its economic policy heft) have an important and influential contribution to make in working with their neighbours in ASEAN, Japan, South Korea and China in meeting the challenge posed by recovery from the pandemic.

International organisations need to play a central role in monitoring and assessing the impact of the COVID-19 crisis on trade, investment and global value chains. Joint commitments at the regional and multilateral level will ensure that national measures are transparent, proportionate and temporary, and are removed when no longer justified, based on the evidence and data – not economic exigencies or political pressure. Mutually agreed guiding principles will help constrain the actions of Asian nations to ensure that responses to the crisis do not reinforce or entrench existing inequalities. Asian nations can adopt the World Bank Group’s COVID-19 response priorities of poverty alleviation, gender equality and environmental sustainability. A pressing issue for coordination is the treatment of migrant workers. Government-to-government collaboration is necessary to resolve cross-border issues like migration and the access of migrants to healthcare and social protection.

These are all foundations on which confidence could be restored in international cooperation. The bigger task, for which there is little preparation or precedence, is Asian initiative in for collective action on the global economic order.

The institutional arrangements on which economic certainty and political confidence in the US-led postwar global order was built – the institutional framework that guaranteed economic openness and the prospect of economic and political security – are of central importance to Asia. The rules as they stand are far from adequate. They do not comprehensively cover important elements of contemporary commerce like digital transactions, and there are unsanctioned and sanctioned derogations, but they have been critical to the robust growth of the international economy and trade for the seven decades they have been in place.

In a geopolitically fractured world, strategic competition between the US and China ultimately limits both countries' capacity to contribute constructively to global recovery and renovation of the global order. The US, the world's biggest power, lost its appetite for multilateral cooperation under its last president and is at odds strategically with China, the world's second largest power. Constrained though he is by enormous domestic economic and political problems, President Biden has signalled his inclination to mobilise multilaterally on core international problems.

Small and middle powers now have to play an unfamiliar leadership role. A compact for multilateral cooperation between Asian nations could be a starting point. But how can Asia step up to their defence or their reform alongside the US and China at the same time? While collective leadership from Asia will not be easy to coordinate, there are two assets that the region brings to the global initiative that are now needed (ABER 2020). First, it has the architecture in place. The East Asian Dialogue arrangements (ASEAN +3, ASEAN + 6 and ASEAN + 8) are ready, standing platforms from which to launch it. Second, the ASEAN+6 group is already actively engaged on the trade and economic cooperation agenda that can help the world to stand against the tide. The conclusion of RCEP in 2020 is a ready starting point for the global effort now required.

The growth of Asia's economic power, and the potential that allows for the projection of political and military power, has thrust the region onto the centre stage of changing, great-power global politics. The huge change in the contours of Asian power has raised questions about the stability of the political order today. Are we doomed to inevitable divide between the established powers, led by the US and China, as they jostle for political space? This is not a narrowly economic problem: it affects economic and security issues globally as well as in Asia and the Pacific. The big challenge will be to broker a geopolitical bargain that restores a measure of stability and the political confidence to repair an order that is now badly broken.

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